

Modification Report
Release of the Supplier ID to the Confirming Shipper upon Objection being
raised to a Supply Point Confirmation
Modification Reference Number 0569
Version 1.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The supplier id has to be included within all supply point objections as a mandatory filed, in order to effect a smoother transfer process. It is intended that Transco will populate this on the Objection File, which is returned to the Confirming Shipper.

2. Transco's Opinion

Currently upon notification of a Supply Point Confirmation the Existing Registered User may up to, but not after, the seventh Business Day following the date of that notification, submit a Supply Point Objection to Transco. When submitting the objection there is currently no requirement for the User to provide the identity of the supplier. The User may provide additional information when submitting the objection (which may include information about the supplier) in the "Supplementary Details" file (S74) and where this file is provided Transco forwards it to the Proposing User.

Scottish Power has raised Modification Proposal 0569 seeking to establish a mandatory requirement within the Network Code for Transco to provide to the Proposing User the existing supplier identity within the Supply Point Objection notification. Scottish Power believes that with access to this information, objections may be handled (and potentially resolved) within shorter timescales thus providing a smoother transfer process.

A number of confirmations are presently objected to and where the objection is unresolved within seven Business Days the confirmation will lapse and the transfer will not be effected. Transco acknowledges that early identification of the incumbent supplier may aid resolution of a proportion of these objections. Transco is therefore sympathetic to the aims of the Modification Proposal, but would note that only a small proportion of the Supply Point transfers of ownership involve supplier organisations which are unrelated to the User.

Modification Proposal 0569 was discussed at the August 2002 Supply Point and Billing Workstream meeting. It was generally acknowledged that the release of supplier identity in the above limited circumstances could aid the transfer of ownership process. Workstream members, however, expressed concern with respect to the systems enhancement workload currently faced by the industry and of the consequences of implementing costly system changes to resolve issues which may be addressed without significant cost. Workstream members therefore suggested that alternatives should be sought which facilitate the objectives of the Modification Proposal.

Workstream members highlighted that the Supply Point Administration Objection

Supplementary Details File (S74) includes a free text field which can contain a maximum 1000 characters. Any information provided within this field is automatically provided to the confirming User via the Objection Supplementary Details Notice File (S40). This facility has already been employed by a small number of Users to pass on the suppliers identity and could be utilised with minimum effort to deliver an approximation to the desired solution. It is worthy of note that the 'free text' facility described above could not be validated. Transco believes, however, that should any associated governance be required to enforce transaction of the supplier id that it should be pursued through ongoing discussions in the Gas Industry Governance Group.

3. Extent to which the proposed modification would better facilitate the relevant objectives

Transco, supported by the Supply Point & Billing Workstream, believes that this Modification Proposal does not reflect a fully economic and efficient solution for the improved management of Supply Point Objections. Transco, however, acknowledges that the objectives are sound in principle and recommends the utilisation of the 'free text' facility currently available within its Supply Point Administration system for relevant supplier data to be transacted. Transco suggests that community awareness with regard to the existence of this functionality could be raised through its CPM Operations Forum. Transco believes that such a measure would be consistent with better facilitating effective competition between relevant shippers and relevant suppliers.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

No such implications have been identified.

b) development and capital cost and operating cost implications:

Transco would incur costs in amending its UK- Link system. The extent of these costs has not been identified at this stage. Note: If the 'free text' solution as described elsewhere within this Modification Report were utilised, no costs would be incurred.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

Transco's costs would be treated as normal operating costs.

d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

As Transco could not accept responsibility for the accuracy of the data supplied, implementation of this Modification Proposal would not increase the level of its contractual risk.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Changes to Transco's UK-Link system would be required. Transco believes that the proposal would also impact Users systems but is not presently aware of the level of that impact. However, if the free text solution were implemented Transco believes that there would be little if any development required.

7. The implications of implementing the Modification Proposal for Users

It is likely that Users would need to alter their systems and processes to accommodate implementation of this Modification Proposal.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

The measures identified within this Modification Proposal would in some instances facilitate early resolution of Supply Point Objections. This in turn could be expected to reduce inconvenience to consumers. Suppliers may also receive an increased level of requests for contact/information.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

- My facilitate early resolution of some Supply Point Objections.

Disadvantages:

- Requires potentially unnecessary enhancement to Transco and Users computer systems as adequate alternative functionality currently exists.

11. Summary of the Representations (to the extent that the import of those

representations are not reflected elsewhere in the Modification Report)

Nine representations have been received in respect of this Modification Proposal. Four indicate support, two offer qualified support and three oppose implementation.

TXU and London Electricity believe that the interchange of the Supplier identity will enhance the customer transfer process by facilitating resolution of Supply Point objections. London Electricity states "this modification or an alternative that provides this information would improve the process of investigating objections to Supply Point Confirmations by facilitating quicker resolution of such instances". Scottish Power also supports this view and Innogy believes that it may potentially aid resolution of objections within the objection period. Transco concurs with the view expressed by the above respondents.

Total Fina Elf states it "would like to avoid a solution where it is up to the objecting shipper to decide whether or not to include the supplier information". It believes that Transco could populate the supplier identity on the Supplementary Details file before sending the objection information to the confirming shipper.

Transco's response is that there is no reason why the objecting User should not provide the information in all instances i.e whenever a User objects the supplier id should be provided. Transco would also highlight that it may be counter productive for the Supplementary Details file to be populated by default as the objecting User may have already entered the same or additional information leading to undue complexity. As highlighted by BGT in its representation Transco would be unable to validate any information provided in the Supplementary Details file.

Total Fina Elf comments that Transco has not provided any information about costs to amend UK Link.

Transco's response is that given its view expressed elsewhere within this Modification Report it has not undertaken any detailed systems analysis at this stage.

Scottish Power explains that currently when the identity of the objecting supplier is not provided the customer may be asked to provide this information which may cause inconvenience. It believes that "Supply Point competition between shippers and suppliers will be improved and the customers' perception of the Change of Supply process enhanced". Scottish Power also believes that the Modification Proposal itself will better facilitate the relevant objectives of operating an efficient Transportation System by reducing unnecessary costs and inconvenience caused to Transco, shippers, suppliers and customers. Scottish Power draws parallels with the electricity market where the release of the supplier id, when an objection is raised, has been part of the change of supplier process for sometime.

Transco acknowledges the above views, but as expressed elsewhere within this Modification Report, Transco believes that a more efficient and economic

solution could be achieved using existing functionality without the community incurring potentially costly system changes.

Powergen and Innogy refer to the advantages of Transco's solution concerning the use of the free text field which it should be noted does not form part of the Modification Proposal. Innogy states "suppliers could agree if they so choose to include the supplier id in the S74 flow as a free text, rather than changing existing data flows". Consequently Innogy does not believe that "the Modification Proposal will have a material effect on the efficiency of the customer take on process" and it does not consider implementation to be a priority.

Transco concurs with these views.

Shell Gas Direct, Scottish & Southern and BGT respectively state that the "costs of implementation are not justified by the minor benefit" that "it does not provide an economic and efficient solution" and that it "does not provide a requisite level of improvement to justify the significant changes to system that would be required". Transco concurs particularly with respect to the latter point given the system enhancement workload associated with metering liberalisation currently faced by the community.

Shell Gas Direct highlights that the solutions proposed may have negative implications for industrial and commercial consumers. They state that "in some cases, I&C consumers do not want information about the parties that they contract with revealed to other market participants, including their incoming supplier" they also state that "it would be useful for this point to be drawn to the attention of, and discussed further with, I&C consumers before implementation of such a change". Shell Gas Direct also has a concern that "confirmations will be raised to discover which suppliers are serving certain customers and/or to learn to which competitor a supplier had lost a customer". It recommends monitoring provisions are put in place prior to implementation to ensure that it cannot be misused and that if the proposal is pursued it should be limited to small customers as I&C customers generally know who their supplier is. Transco acknowledges the risks identified by Shell Gas Direct.

Shell Gas Direct suggests that, should use of the free text field be pursued, a structure for the use of this field could be discussed through the GIGG process. Transco's response, highlighted elsewhere within this Modification Report, is that whilst any governance associated with enforcement of the transaction of the Supplier id should be pursued through GIGG it does not believe that use of the free text field itself would require discussion in this forum.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition

4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the Modification Proposal

Significant systems development work would be required to enable implementation of this Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

In view of Transco's recommendation, no implementation timetable is proposed.

16. Recommendation concerning the implementation of the Modification Proposal

Whilst Transco remains sympathetic to the objectives underlying this Modification Proposal it does not recommend implementation as it believes that it would prove unnecessarily costly for the industry to implement and the objectives could be readily achieved in the manner described elsewhere within this Modification Report.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal not to modify the Network Code and Transco now seeks agreement from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

Signed for and on behalf of Transco.

Signature:

Steve R Phillips
Director of Shipper Services

Date: